



STATE BOARD OF EQUALIZATION

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April 14, 2014

The Honorable Raul Bocanegra, Chair
Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

Dear Assembly Member Bocanegra:

Assembly Bill 2681 (Dababneh) is set for hearing the Assembly Revenue and Taxation Committee on April 21, 2014. **This Board of Equalization (BOE) sponsored bill** specifies that any sale, storage, or use of counterfeit goods in this state constitutes a "retail sale" or "sale at retail," under specified conditions. When a seller or purchaser is convicted of one or more specified counterfeit goods trafficking crimes under state or federal law, this measure holds the convicted person liable for the sales or use tax on his or her counterfeit goods sales and purchases in this state, regardless of whether the convicted person is the manufacturer, wholesaler, distributor, or retailer.

Counterfeit Sales should be subject to Tax. Counterfeit goods unfairly compete with legitimate brands, while tarnishing the brand's reputation, and causing a revenue loss to the state. Moreover some counterfeit products potentially cause sickness or injury, such as counterfeit drugs or auto parts. The removal of the sale for resale exclusion under AB 2681 would deny a tax benefit to counterfeit criminals otherwise available to legitimate businesses. AB 2681 reinforces California's intolerance towards this criminal activity.

If you have any questions or need additional information regarding this bill, please contact our Legislative Counsel, Michele Pielsticker, at (916) 322-2376.

Sincerely,

Cynthia Bridges
Cynthia Bridges
Executive Director

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cc: The Honorable Diane Harkey, Vice Chair
The Honorable Jim Patterson
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